THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Financial Statements and
Report on the Audit
for the year ended March 31, 1984

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION
(Incorporated without share capital under
the Junior Farmer Establishment Act)

Balance Sheet
as at March 31, 1984

Assets	1984 $	1983 $
Cash - general	37,683	26,326
- trust funds (note 2)	27,317	17,907
Contribution due from the Treasurer of Ontario (note 4)	-	32,153
Mortgage loans		
- interest due and accrued	1,305,931	1,406,039
- principal	40,744,091	44,048,642
	42,115,022	45,531,067
Liabilities		
Contribution due to the Treasurer of Ontario (note 4)	27,740	-
Funds held in trust (note 2)	27,317	17,907
Capital advances due to the Treasurer of Ontario including accrued interest	42,059,965	45,513,160
	42,115,022	45,531,067

See accompanying notes to financial statements.

On behalf of the Board:

Chairman

Vice-Chairman

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Statement of Operations
for the year ended March 31, 1984

	1984 $	1983 $
Revenue		
Mortgage interest (note 5)	2,129,983	2,290,709
Miscellaneous	6,444	4,447
	2,136,427	2,295,156
Expenditure (note 3)		
Interest on capital advances - Treasurer of Ontario (note 5)	2,858,687	3,077,309
Net operating loss for the year	722,260	782,153
Contribution by the Treasurer of Ontario (note 4)	722,260	782,153

See accompanying notes to financial statements.

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Notes to Financial Statements
March 31, 1984

1. STATUS OF CORPORATION

The Corporation has not accepted any new mortgage loan applications since 1969 and the final mortgage instalments on outstanding loans are payable in 1999.

2. FUNDS HELD IN TRUST

The provisions of the Corporation's mortgage indentures allow the Corporation, without taking title through foreclosure, to sell a farm property in certain circumstances for cash or credit.

In prior years, the Corporation had sold a number of properties and had taken back mortgages, some of which were for a greater amount than the outstanding balance on the original mortgage. This additional amount as of March 31, 1984 of $108,300 (1983 - $109,900) including accrued interest has not been recorded in the financial statements as the Corporation has no obligation until payments are actually received on account of these additional amounts.

All mortgage payments received are applied first against the amount of the original mortgage with the remaining payments held in trust for the original owner or other claimants by the Corporation. When the mortgage has been fully repaid by the new purchaser, the funds held in trust will be distributed.

3. ADMINISTRATION EXPENSES

Salaries of the Corporation's staff and sundry administrative costs have been absorbed by the Ministry of Agriculture and Food and are not included in the statement of revenue and expenditure.

4. CONTRIBUTION DUE TO/FROM THE TREASURER OF ONTARIO

The cost of the loan program, which is represented by the net operating loss for the year, is paid out of moneys appropriated therefor by the Legislature. The payable of $27,740 (1983 receivable of $32,153) represents the amount due back to the Treasurer of Ontario for the current year's net operating loss net of advances received to date.

5. INTEREST ON MORTGAGES AND CAPITAL ADVANCES

Interest earned by the Corporation on its mortgage loans is fixed by legislation and averages approximately 5 per cent per annum. Interest payable by the Corporation on capital advances from the Treasurer of Ontario has been established by the Treasurer of Ontario at 6.7 per cent. This interest differential is the primary reason for the Corporation's excess of expenditure over revenue.

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Queen's Park
Toronto, Ontario
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416/965-1381

To The Ontario Junior Farmer Establishment Loan Corporation,
to the Minister of Agriculture and Food, and
to the Treasurer of Ontario and Minister of Economics.

I have examined the balance sheet of The Ontario Junior Farmer Establishment Loan Corporation as at March 31, 1984 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1984 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation, to the Minister and, in accordance with section 8 of the Junior Farmer Establishment Act, to the Treasurer of Ontario and Minister of Economics.

Toronto, Ontario,
August 2, 1984.

D.F. Archer, F.C.A.,
Provincial Auditor.

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416/965-1391

THE ONTARIO JUNIOR FARMER ESTABLISHMENT LOAN CORPORATION

Report on the Audit
for the year ended March 31, 1984

In accordance with section 8 of the Junior Farmer Establishment Act, an audit of the books and accounts of The Ontario Junior Farmer Establishment Loan Corporation has been completed for the year ended March 31, 1984.

Computer Errors

Our compliance testing of the Corporation's computerized records revealed that the December 1983 Sales Journal overdue interest column when added was in error by $6.28. We understand that the risk arrears and overdue interest columns in the May 1984 Daily Transactions Report were also similarly in error by $1.25.

While we acknowledge that such small errors do not significantly affect the fairness of the financial records, we believe that these variances raise questions as to the reliability of the computer programs or files and should be investigated.

Cash Management

Throughout the year farmers remit their mortgage payments which are deposited in an interest bearing bank account. These funds are used to repay the capital advances due to the Treasurer

and pay life insurance premiums on the mortgages and miscellaneous expenses.

During our audit we observed that the Corporation maintained an average daily balance of approximately $172,000, whereas we believe a minimum balance of approximately $30,000 would be sufficient to meet expected cash requirements. Since the Treasurer of Ontario earns a higher rate of return on investment than the 2 1/2 per cent rate presently being earned on the minimum monthly balance maintained by the Corporation, we estimate an additional $12,000 could have been realized by the Province if the Corporation had more quickly repaid the advances due to the Treasurer.

We also recommend that the Corporation establish a daily interest bank account.

Mortgages in Arrears

The Corporation's collection procedures for mortgages in arrears is as follows:

- A month after a mortgage is in arrears the Corporation sends a letter to the farmer requesting payment.

- If there is no reply nor payment from the farmer after two or three months, the Corporation will send out a second letter requesting payment and recommending that the mortgagor contact their local Agricultural Representative.

The amount of mortgages in the arrears for the current and previous two fiscal years were $496,000, $476,000 and $374,000 respectively. We noted that approximately 28 per cent or $137,000 of the total arrears at March 31, 1984 had been in arrears for at least 2 years. Furthermore, in 1982 the Deputy Minister of Agriculture and Food indicated to the Public Accounts Committee regarding junior farmer loans that the Ministry would "insist a farmer clear up his arrears when he comes into another program....".

We selected a sample of 20 mortgagors in arrears for more than $1,500 as at March 31, 1984 and noted the following:

- Six mortgagors including one whose mortgage was in arrears by approximately $7,000 had received financial assistance under the Ontario Farm Tax Reduction Program.

- One other mortgagor in arrears for three years by approximately $8,000 is currently receiving payments under the Ontario Farm Adjustment Assistance Program.

- In several cases, for a number of years there has been no contact made with the farmer by the Agriculture Representative. We further reviewed all mortgage in arrears since 1980 and again noted several cases where the Agriculture Representative had not contacted the farmer.

In view of the increase in arrear balances in the past few years and the fact that the Corporation charges 5 per cent interest on mortgage in arrears, we recommend that the Corporation:

. provide a list of all accounts in arrears to all branches within the Ministry who coordinate financial assistance to farmers. While we acknowledge the Ministry may first want to obtain a legal opinion, we suggest that any assistance granted to delinquent farmers under other programs be first applied against junior farmer arrear balances. We understand that this procedure is done with accounts in arrears under the Agricultural Rehabilitation and Development Directorate of Ontario.

. endeavour to ensure the local Agricultural Representatives contact on a timely basis those mortgagors in arrears.

J.R. McCarter, C.A.,
Director,
Resources Development Policy
Field Branch.

Toronto, Ontario,
August 2, 1984.

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Queen's Park
Toronto, Ontario
M7A 1A2
416/965-1381

September 10, 1984.

Mr. R. Sewell, Chairman,
The Ontario Junior Farmer
Establishment Loan Corporation,
10th Floor, 801 Bay Street,
Toronto, Ontario.
M7A 1B1

Dear Mr. Sewell:

In accordance with section 8 of the Junior Farmer Establishment Act, an audit of the books and accounts of The Ontario Junior Farmer Establishment Loan Corporation has been completed for the year ended March 31, 1984. A copy of the audited financial statements is enclosed.

While not affecting my expressed opinion on the financial statements, a report on the audit has been prepared and a copy is attached. It would be appreciated if you could review this report and forward your comments on our findings and recommendations.

Matters raised in audit reports are considered for inclusion in our Annual Report to the Legislative Assembly. Replies received to our findings and recommendations are also included. However, as a result of printing deadlines, it is not possible to include any replies received subsequent to September 30.

Four additional copies of the audited financial statements and the related report are attached for distribution to the other members of the Board of Directors and senior officials of the Corporation.

Sincerely,

D.F. Archer,
Provincial Auditor.

JRM/sl
Encl.

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Toronto, Ontario
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September 10, 1984.

Honourable Dennis R. Timbrell,
Minister of Agriculture and Food,
Province of Ontario,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Timbrell:

In accordance with section 8 of the Junior Farmer Establishment Act, an audit of the books and accounts of The Ontario Junior Farmer Establishment Loan Corporation has been completed for the year ended March 31, 1984. A copy of the audited financial statements is enclosed.

While not affecting my expressed opinion on the financial statements, a report on the audit has been prepared and a copy is attached.

Five copies of the audited financial statements and the related report have been forwarded to Mr. R. Sewell, Chairman of the Corporation, for distribution to the other members of the Board of Directors and senior officials of the Corporation. In addition, a copy has also been sent to the Honourable Larry Grossman, Q.C., Treasurer of Ontario and Minister of Economics.

Sincerely,

D.F. Archer,
Provincial Auditor.

JRM/sl
Encl.

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September 10, 1984.

Honourable Larry Grossman, Q.C.,
Treasurer of Ontario and
Minister of Economics,
Province of Ontario,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Grossman:

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Sincerely,

D.F. Archer,
Provincial Auditor.

JRM/sl
Encl.